

# HEINL RADIO BUSINESS LETTER

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## FIREWORKS MARK FCC HEARING GREAT LAKES SCRAP

Charges and counter charges of attempts to obtain a monopoly of the radiotelephone business on the Great Lakes are being studied by an Examiner of the Federal Communications Commission pending the resumption of a hearing on August 16.

Lawyers in the case, centering about the rates of the Lorain County Telephone Company and the Lorain County Radio Corporation, almost came to blows before the hearing recessed because of a statement by a Lorain official that the Radiomarine Corporation of America tried to buy out the Lorain properties.

The Lorain companies, which are owned and operated by the same persons, now have a lion's share of radiotelephone business on the Great Lakes, partly because of their ability to furnish both equipment and service to ship owners. The Radiomarine Corporation has joined with the Donnelley Radio Telephone Company, which has a station at Lake Bluff, Ill., in asking that the Lorain outfit be denied the right to tie up a service charge with radiotelephone rates.

Thorne Donnelley, President of the Illinois Company, told Examiner Robert L. Irwin that his concern is unable to compete successfully with the Lorain corporation because of the \$25-a-month service charge. Mr. Donnelley said he is willing to drop the service charge and thinks Lorain should be compelled to do so.

If Lorain is permitted to continue to service charge, he testified, it will constitute an "economic boycott" of the Donnelley station.

Frank W. Wozencraft, counsel for RCA, had several verbal clashes with attorneys for Lorain over a statement made by Herman E. Hageman, President and General Manager of the Lorain companies. Mr. Hageman said that Alfred James Wills, former commercial representative of the Radiomarine Corporation in Cleveland, had approached him with an offer to buy the Lorain properties upon behalf of RCA for \$56,000 in 1937. He said that Mr. Wills had advised him to accept the offer because RCA is "Very powerful" and "influential with the Federal Communications Commission".

Mr. Wozencraft hotly denied the story and later produced Mr. Wills to make the denial personally. The RCA attorney pointed out that Charles J. Pannill, President of the Radiomarine, had denied the story shortly after it was alleged to have occurred. He accused Mr. Hageman of repeating it merely because he was angry with RCA for entering the case.



Mr. Wills did admit, however, that he had suggested, entirely on his own initiative, that Lorain and RCA might "unite their forces in a good will effort to serve the ship owners." He left the services of Radiomarine as of July 31, he said, entirely of his own free will although Lorain attorneys inferred by cross-examination that he had been dismissed because of this "offer".

Lewis P. Gilmer, Vice President and General Manager of the Donnelley corporation, subsequently testified that Mr. Hageman had offered to take over the operation of the Lake Bluff station and to split the profits with the Donnelley company after he had learned that the latter was going to participate in the Lorain rate case before the FCC.

Earlier in the hearing, Mr. Hageman testified that Lorain had equipped 82 ships in the Great Lakes with its radio telephones and had handled 18,699 calls in 1938.

Ship owners contributed \$100,000 to the capital fund of the companies at the beginning, he admitted, and were reimbursed by the placement of radio equipment aboard their ships.

The name of Commander Eugene F. McDonald, Jr., President of Zenith Radio Corporation, Chicago, was brought into the hearing several times by Mr. Gilmer. The witness first called attention to his ownership of the yacht "Mizpah" and his use of radiotelephone services and spoke of his courage in running the craft in the Great Lakes even when the ice of winter endangered travel.

A telegram from Commander McDonald stating that he preferred to pay for radiotelephone messages on a straight basis without service charges as is the practice along the Atlantic coast was read into the record by the attorney for Donnelley.

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#### N. Y. DEPARTMENT STORES ASK FOR TELEVISION PERMITS

The first attempt to utilize television for practical merchandising will be made by two New York department stores, Abraham & Straus, Inc., and Bloomingdale Bros., Inc., if the Federal Communications Commission grants an application they filed in Washington last week.

The application for the license was filed by Metropolitan Television, Inc., a subsidiary of the two stores, especially organized for the transmission of television programs.

Ira A. Hirschmann, Vice President of Bloomingdale's, said plans now are under way to establish the transmitting facilities of the new television company at one of the large hotels in the up-town Manhattan area, "near our store". He said he will go to England to study the television methods of the British Broadcasting Corp. while this is being done.

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While in London, he will spend some time with Gordon Selfridge, Jr., of Selfridge's Department Store, which is the first European store to conduct successful television experiments.

With their newly created subsidiary, Metropolitan Television, Inc., Abraham & Straus and Bloomingdale's plan to carry on a comprehensive program in television experiments, Mr. Hirschmann stated. He said the stores now are working on another plan with which "we hope to promote the sale of television sets at lower prices than today." However, he declined to develop this theme.

Commenting on television's role in merchandising, the department store executive described it as "a dramatic new supplement to our present media of advertising and publicity." He continued:

"Television will never replace advertising, but will go hand in hand with newspaper and radio merchandise advertising. Rather than acting as a threat to national and retail media it offers a fresh new field for the sale of goods and ideas. Merchandise, in short, becomes visual as well as vocal."

Mr. Hirschmann said "a modern and well equipped television broadcasting station costs anywhere from \$100,000 up," although he declined to be quoted on what the newly formed television corporation would expend in this direction. "If our license is granted," he added, "we plan to introduce the most modern equipment available."

It is the company's intention to study and formulate techniques for the sale of goods, particularly stores, Mr. Hirschmann said. "We are experimenting at present with 'movie' shorts which will be the phonograph records of television for repetitive use and economical programming. Motion picture companies and newspapers will welcome television rather than oppose it, for here is a major field for exploitation in their respective fields."

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#### NAB AND ASCAP WAGING BATTLE OF STATEMENTS

With copyright negotiations again broken off, the National Association of Broadcasters and the American Society of Authors, Composers, and Publishers this week were waging a battle of words with formal statements fulfilling the role of weapons!

Neville Miller, President of NAB and Chairman of the Special Copyright Committee, struck the first blow immediately following a conference with ASCAP officials in New York last week. (See previous letter).

Gene Buck, President of ASCAP, replied quickly that the copyright owners "welcome the fight" with the organized broadcasters. And then Mr. Miller let loose another blast at ASCAP!



"The NAB signed an agreement with the American Society for a period of five years, but the ink was no more than dry on the agreement three and a half years ago than they started a campaign to control or to break up ASCAP," said Mr. Buck.

"Failing to change the Copyright Act and after their failure in using the courts, they then introduced a new technique throughout the Nation in the States to gain their selfish interests.

"This having failed, with the possible exception of the States of Washington, Montana and Florida, they now announce that they are going to start something to deprive the authors and composers of the Nation of some compensation for the use of the creations of their brains. \* \* \*

"Since broadcasting was invented the broadcasters have indulged in the fantastic idea that the men and women who create the music of the Nation and the world should furnish the products of their brains to this vast and powerful industry gratis. \* \* \*

It is a sad state of affairs when these gentlemen, who sell commercial time to the amount of \$118,000,000 annually and will pay artists and performers and interpreters of music as much as \$15,000 for a single performance, cry and whimper because they have to pay the composers and authors of the Nation about \$3,500,000 a year, which makes their entire operation possible."

In answer to this statement Mr. Miller replied:

"Let's stick to the facts.

"Broadcasters are ready and willing to pay a fair and reasonable price for the use of ASCAP music. At present, ASCAP's total annual revenue amounts to approximately \$6,000,000, of which \$4,000,000 -- or two-thirds -- is derived from radio stations. In the past six years alone, the broadcasters have paid ASCAP over \$20,000,000.

"With few exceptions, radio stations pay ASCAP five per cent on their total gross receipts, paying on revenues derived from the sponsorship of dramatic shows, news broadcasts, sports broadcasts and many other broadcasts where not one note of ASCAP music is played; and also on programs which contain music but which is not ASCAP music. The present contracts expire December 31, 1940.

"We have informed ASCAP that we are willing to pay when we use ASCAP music but that we are not willing to continue to pay on programs which do not use ASCAP music. As their largest customer, we have asked them to set the price, and ASCAP has refused to do so. This is the heart of the present problem.

"Since last March, we have tried unsuccessfully to secure from the Society some expression as to the terms upon which it would be willing to renew the contracts. We do not propose to let matters drift on until December 31, 1940 and then, at the eleventh hour, be

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forced into an unfair and inequitable contract, compelled to meet any terms which ASCAP's present monopolistic control may dictate. The radio industry can no longer have its economic stability threatened by dependence upon one source of music, especially when that source is a copyright pool and monopoly. We propose to develop other sources of music, to encourage new composers and authors who find their creative genius stifled by the ASCAP monopoly; who are now unable to have their music published profitably and who find it practically impossible to have it performed.

"Through these means, we hope to build up an impressive reservoir of fresh new music, to make fair and equitable contracts with authors, composers and publishers which will enable us to carry on in event we are unable to meet the unknown demands ASCAP may make.

"We believe this development will uncover a wealth of new talent in the United States, and will bring to the American public an abundance of enjoyable new music."

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#### SENATOR BRIDGES URGES WOMAN FOR FCC

Senator H. Styles Bridges (R.), of New Hampshire, has proposed to President Roosevelt that a woman be appointed to membership on the Federal Communications Commission and has included among several nominees, Publisher Eleanor M. Patterson, of the Washington Times-Herald, Columnist Dorothy Thompson, New York Herald Tribune; and Mrs. Eleanor Roosevelt, wife of the President and author of a newspaper column, "My Day".

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#### CBS SEMI-ANNUAL PROFIT ABOVE 1938

Columbia Broadcasting System, Inc., and Subsidiaries, report for the twenty-six weeks to July 2: Net profit of \$2,771,892, equal to \$1.62 each on the 1,708,723 shares of \$2.50 par value stock either outstanding on July 1, this year, or to be outstanding upon completion of the exchange of the old \$5 par value stock, compared with a net profit of \$2,578,192, or \$1.51 a share in the corresponding twenty-six weeks last year.

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## WIDE USE OF FREQUENCY MODULATION FORECAST

A new type "frequency modulated" radio broadcasts will be filling the air in the major markets in this country within the next year, Dr. W. R. G. Baker, head of General Electric's radio and television division, predicted in speaking recently before a delegation of college and university professors.

Dr. Baker explained that frequency modulation is one of the latest and most promising developments in the field of radio, and makes possible for the first time practically static-free reception with a high fidelity that has hitherto been unattainable with the presently used "amplitude modulated" radio system.

"Two frequency modulated transmitters are already operating," Baker said. "One is in Boston and another is in New York city. A third will be placed in operation here in Schenectady by early fall."

Present receivers will not be able to pick up frequency modulated broadcasts, and it will not be possible to change them so they can," he said. "The public need not fear that present day radios will be obsoleted immediately, however," he continued. "Amplitude modulated programs will continue to be broadcast for some time to come. Frequency modulation will be sold to the public at the outset as another band on a new receiver which will pick up both type broadcasts."

The frequency modulated system employs the use of ultra short radio waves, and the signals broadcast travel only slightly beyond the distance of the horizon, according to Dr. Baker's explanation. This characteristic is said to be the open sesame for an almost unlimited number of broadcasting channels with plenty of room for nationwide chains and local stations galore.

Dr. Baker stated that frequency modulated transmitters could be built for approximately one fourth the cost of the usual station, and that with the possibility of overcrowding the airwaves removed, many new broadcasters should crop up.

In describing the difference between the regular, or the amplitude system, and the new frequency modulated system, Dr. Baker explained that in the newer method the characteristics of the broadcast waves differ from the static, and as a result the frequency modulated receiver picks up the broadcast almost completely stripped of static.

In tests conducted earlier this year for a group of experts including four from the Federal Communications Commission and three from the Interdepartmental Radio Advisory Committee, General Electric radio officials showed that 96 percent of existing static, both atmospheric and man-made is eliminated from programs broadcast under the frequency modulated system.

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## SENATOR ELOQUENT IN PRAISE OF "CHATTERBOX"

Senator Johnson (D.), of Colorado, waxed eloquent in a dissertation on radio in the Senate last week.

"The most intimate and important inanimate object in our home is a little piece of more or less unornamental furniture which we affectionately call the chatterbox, for it brings to us the chatter of the entire world", he said. "The first member to arise in the morning turns it on and the last to retire turns it off. It entertains with a program varied from the sublime to the ridiculous; it caters from early to late to the spiritual, the esthetic, and the fleeting fancies and moods of each member of the family. It so handles current news that we need only listen to the highlights to have constantly before us a picture of what is transpiring in the world. Sporting events and important ceremonies in far-away places are presented blow by blow so realistically and in such masterful manner that we prefer to stay at home rather than undergo the inconvenience and discomfort incidental to being actual eye witnesses. Over this unique contrivance the statesmen of the world gather with us around our fireside and discuss the issues which rock the universe.

"How fascinating to hear in our humble living room the natural voices of our beloved President, Mr. Roosevelt; the Premier who made the bad bargain at Munich, Mr. Chamberlain; the vociferous Il Duce, Benito Mussolini; and the great 'I am' Der Fuehrer Hitler, each in character depicting his part in the tragic drama of current history. Truly, the radio has added much to our home. Delightfully entertaining and pleasantly instructing, the radio has become a most essential part of our family life; and we would rather go without necessities than part with its magic."

He was speaking in support of his bill to bar liquor advertising from the air.

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Next week Editor & Publisher will present the first of two articles analyzing the possible effect of television upon newspaper advertising; the present status of television as regards possible number of stations, licenses issued or applied for; reception area; future cost of receiving sets, etc. In addition, the articles will tell the probable cost of equipping a 1 KW television station, yearly cost of operation, and probable sale price per hour of television time.

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TRADE NOTES

"Principles and Practices of Network Broadcasting," consisting of the testimony of David Sarnoff, President of RCA, at the opening of the FCC chain-monopoly inquiry last fall has been published in pamphlet form and is being distributed by the publicity division of RCA.

Sparks-Withington Company and its Subsidiary report for the year to June 30--a net loss of \$232,547, compared with a net loss of \$60,581 in the year to June 30, 1938.

The use of U. S. forest service two-way radiophone for the first time in western newspaper history brought a scoop to the Ogden (Utah) Standard Examiner and a feather in the cap of Louis A. Skaggs, ingenious staff reporter, who scored a page one hit with a national convention coverage one day ahead of the other papers. Skaggs, 45 miles away from the city atop Monte Cristo, high in the Wasatch range of the Rockies, read his story by radiophone to a rewrite man, who rushed the copy to the editorial office and composing rooms to make the early editions of the paper.

Fred Adelman, also known as Frank Adelman, trading as Vit-O-Net Company, Vit-O-Net Corporation and Electric Blanket Company, 1716 South Michigan Ave, Chicago, has been ordered by the Federal Trade Commission to discontinue misleading representations in the sale and distribution of "Vit-O-Net", described as an electrical blanket device for treating diseases. Under the order, the respondent is to cease representing that "Vit-O-Net", or any similar device, sets up a radio-magnetic energy which is transmitted to the patient thus causing an increased activity and retitalizing of the organs and cells of the body and a charging of the blood stream with electromagnetic energy with beneficial results.

Rules and regulations covering radio aviation service have been amended as of August 1, by the Federal Communications Commission. The amended rules, among other things, remove the "day only" restriction applying to 6210 kilocycles. Where this frequency has been authorized it may now be used in accordance with the amended rules, without regard to the restriction concerning it which appears on outstanding licenses. The "day only" restriction will be removed from such licenses at the time of the renewal, or issuance of other instruments of authorization.

## WOR ASKS FCC PERMIT FOR TELEVISION STATION

In the interests of an extensive program of research and experimentation, Station WOR, Newark, announced this week that it has applied for permission to construct a television station in the heart of New York City. The project, according to Alfred J. McCosker, President of WOR, will be closely linked with a campaign of experimentation in new television program technique and engineering advancement.

The application, filed with the Federal Communications Commission at Washington, calls for a 1000-watt transmitter operating in the 84 to 90 megacycle band and located atop a skyscraper in midtown New York. It will service the entire Metropolitan area.

The proposed policies of the new station will emphasize educational telecasts and special features covering spot news, political and sporting events with the same timeliness as WOR has displayed in its sound broadcasts.

Both live programs and motion pictures will be aired from the new television installation. A study of improved studio methods is already under way. The new station, although it will be licensed on an experimental basis for unlimited time, expects to offer visual programs daily, the number of hours being dependent on the increase within its service area of installed receivers.

Cooperation in the educational aspects of the venture has been assured by a number of important educational institutions in New York State and New Jersey.

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## RCA'S OPERATING EXPENSES RISE SHARPLY

David Sarnoff, President of the Radio Corporation of America, announced this week that the corporation had a net income of \$724,091 in the second quarter of this year, after all expenses and charges. This result fell short by \$81,197 in covering preferred dividend requirements for the quarter, and compared with a net income of \$1,086,955, equivalent to 2 cents a share on the common stock, after full preferred dividend charges, in the June quarter of 1938.

For the first six months of this year Radio's net income amounted to \$2,172,201, equivalent to 4 cents each on the common shares, after preferred dividend requirements, compared with \$2,524,756, or 6 cents a share on the common stock, in the first half of last year. Gross income for the six months amounted to \$48,290,112, against \$45,254,304 in the corresponding period a year ago.

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## PAYNE PRAISED IN CATHOLIC MAGAZINE INTERVIEW

Commissioner George Henry Payne, who has been strangely out of the news of recent months, is the subject of an interview in The Sign, a Catholic magazine, June issue, by Kathleen C. Bennett. After a preliminary summary of the events leading up to the introduction in Congress of the Wheeler-McNinch three-man-Commission bill, Miss Bennett relates an interview with Commissioner Payne.

"In spite of reassurances, I was prepared, from what I had read, to meet a bristling reformer who would pour out a flood of denunciation", she said, "not only of radio but of the entire cosmos - and who would probably (after the unpleasant manner of reformers generally) end by trying to reform me.

"But it was no bristling reformer who came forward courteously to greet me. It was a gentleman who possessed more of that generally abused word 'charm', than anyone encountered in years. Two main characteristics were soon evident; abundant energy, and far more than an average zest for life.

"Suave and tactful in manner, when a principle is at stake, he can be a tornado of scathing satire. Not all of those who have come to know him as the FCC's Progressive Reformer know him also as the author of a scholarly book on children, 'The Child in Human Progress'. Nor as the author of the most important history of journalism of our time.

"Not a Catholic, it has frequently been said that he expresses the Catholic philosophy in spiritual matters as they affect radio. With Skipper McNinch he has certainly not seen eye to eye; but he and Commissioner T. A. M. Craven have battled side by side for constructive reforms; and Commissioner Norman Case, from Rhode Island, has not infrequently voted with them.

"There is no doubt that reform-resisting elements have not ceased to pull political wires; that the troubles between the FCC and the radio industry have long bothered the President. But the heart of the mystery of the scuttling of the FCC would seem to be Skipper McNinch's antipathy to the aggressive and progressive reformer from New York.

"With Hugh Johnson, thoughtful elements see danger in the brig which Senator Wheeler has offered as substitute, with its crew of three to replace that of seven. They believe that there is less threat of centralization in the larger crew; that it is more democratic; that a variety of opinion is healthier, more representative; and that discussion, argument and even dissension are not unwholesome things in this important regulatory body.

"One thing is certain; as long as Commissioner Payne remains a member of the FCC's crew, there will not only be color but courage in dealing with communications."

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